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SUBJECT:OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT,
MAY 2, 1978

FOR MANILA FOR HOLBROOKE

1. US-ASEAN DIALOGUE (CONFIDENTIAL)

FURTHER REPORTING THIS PAST WEEK ON THE ASEAN STANDING COMMITTEE MEETING OF APRIL 20-22 INDICATES THAT THE THAIS HAVE THE MOST SERIOUS RESERVATIONS ABOUT HOLDING MINISTERIAL LEVEL TALKS. ALTHOUGH SOME REPORTS CONFLICT, MOST INDICATE THAT THE OTHER FOUR ASEAN GOVERNMENTS FAVOR A MINISTERIAL. THAI RESERVATIONS CONCERN WHETHER THE MEETING WILL HAVE ENOUGH SUBSTANCE TO JUSTIFY THE PRESENCE OF MINISTERS, AND NERVOUSNESS OVER THE POSSIBLE REACTION OF THE INDOCHINA COUNTRIES. THE LATEST REPORT
CONFIDENTIAL

PAGE 02 STATE 112029

FROM BANGKOK SUGGESTS THAT THE THAIS EXPECT ASEAN ULTIMATELY TO ACCEPT OUR INVITATION, BUT BELIEVE THE FINAL DECISION WILL NOT BE MADE UNTIL THE JUNE 13-15 FOREIGN MINISTERS MEETING. ASEAN GOVERNMENTS NOW APPEAR INCLINED TO HAVE FOREIGN MINISTERS PARTICIPATE. WE ARE SENDING OUT A CABLE TO CONVEY THROUGH THE GOP A MESSAGE TO SEEK AN EARLY DECISION AND TO POINT UP THE ECONOMIC ASPECTS OF THE TALKS. TREASURY HAS INFORMED US THAT SECRETARY BLUMENTHAL MAY NOT PARTICIPATE IF SOME ASEAN DELEGATIONS DO NOT INCLUDE ECONOMIC MINISTERS.

2. APCAC (UNCLASSIFIED)

A) WE MET WITH LEW BURRIDGE AND OTHER APCAC LEADERS APRIL 30 TO GO OVER IDEAS FOR IMPROVING COMMUNICATION AND COOPERATION BETWEEN DEPT/POSTS AND APCAC THAT WERE SUGGESTED DURING ECONOMIC OFFICERS MEETING WITH APCAC IN SINGAPORE. APCAC REAFFIRMED DESIRABILITY OF ASEAN PARTICIPANTS MEETING WITH US BUSINESS LEADERS DURING PROPOSED AUGUST DIALOGUE SESSION. APCAC REPS ARE EAGER FOR POSTS TO USE AMCHAMS AS SOURCE FOR REPORTING. BUT, THEY ASKED THAT POSTS EXPLAIN REASONS FOR INQUIRY SO THAT AMCHAM CAN PROVIDE CONSIDERED REPLY. APCAC WHOLEHEARTEDLY SUPPORTS IDEA OF JOINT POST/AMCHAM STUDY PROJECTS. WE HAVE SCHEDULED SECOND MEETING TO EXPLORE SPECIFIC IDEAS FOR PROJECTS.

B) US CHAMBER OF COMMERCE SPONSORED A SEMINAR ON ASEAN WHICH UNDERLINED US BUSINESS INTEREST IN DEVELOPING CLOSE RELATIONSHIP WITH ASEAN. THE CHAMBER HOPES TO LAUNCH AN ASEAN-US BUSINESS COUNCIL EARLY NEXT YEAR INVOLVING ABOUT 50 US BUSINESS EXECUTIVES FROM ACROSS THE COUNTRY. APCAC REAFFIRMED ITS DESIRE TO RESPOND TO CONFIDENTIAL

PAGE 03 STATE 112029

ASEAN NEEDS AND TO WORK CLOSELY WITH ASEAN CHAMBER OF COMMERCE AND INDUSTRY (CCI). NEW AMERICAN-ASEAN TRADE COUNCIL (A-ATC) IN NYC ALSO PLANS TO PROMOTE US BUSINESS INTEREST IN ASEAN. AMBASSADOR ZAIN ON BEHALF OF ASEAN WASHINGTON COMMITTEE WELCOMED THESE INITIATIVES AND INDICATED THE COMMITTEE WAS READY TO FACILITATE US BUSINESS CONTACTS WITH ASEAN.

C) A-ATC REPRESENTATIVES PROPOSED PRIVATELY TO DEPTOFFS HOLDING SUBSTANTIVE TALKS BETWEEN US BUSINESS GROUPS AND ASEAN PARTICIPANTS AT FORTHCOMING WASHINGTON DIALOGUE. CCI WOULD BE CONSULTED AND POSSIBLY ASKED TO PARTICIPATE IN A MEETING OF US AND ASEAN BUSINESSMEN TO PREPARE FOR THESE TALKS. DEPTOFFS URGED THAT THIS PROPOSAL BE COORDINATED WITH APCAC AND US CHAMBER WHICH A-ATC PROMISED TO DO.

3. ASIAN DEVELOPMENT BANK ANNUAL MEETING, APRIL 24-26 (CONFIDENTIAL)

AGREEMENT ON THE ADF REPLENISHMENT ENABLED THE MEETING PROCEED IN HARMONY. LENDING TO VIETNAM WAS ONLY MENTIONED PUBLICLY BY FRANCE AND SWEDEN WHICH CALLED FOR REACTIVATION OF LOANS. VIETNAMESE GOVERNOR DOUBTED BANK'S GOODWILL TOWARD VIETNAM BECAUSE IT HAD ALLOWED TECHNICAL FACTORS TO PREVENT RESUMPTION OF DISBURSEMENTS ON SUSPENDED LOANS. PRIVATELY PRESIDENT YOSHIDA NOTED MOUNTING PRESSURES BY OTHER MEMBERS TO REACTIVATE LOANS. YOSHIDA ADDED THAT SRV SHOULD RECEIVE NO SPECIAL TREATMENT, I.E. IT SHOULD PAY ITS CURRENT 60,000 DOLLARS ARREARAGES, BUT, OTHERWISE, SRV WOULD BE TREATED LIKE

ANY OTHER MEMBER. OVERALL, GOVERNORS AGREED THAT BANK WAS EFFECTIVE, WELL MANAGED; IT SHOULD FOCUS MORE ON RURAL DEVELOPMENT AND FINANCING LOCAL COSTS. GENERAL SUPPORT FOR BANK INDICATES THAT IT IS READY FOR NEW DEPARTURES.

IN OUR HUMAN RIGHTS BILATERALS, JAPAN SUPPORTED COMMITMENT TO HUMAN RIGHTS, INCLUDING RAISING ISSUE IN IFIS, BUT
CONFIDENTIAL

PAGE 04 STATE 112029

GOJ WANTS TO AVOID CONFRONTATION. JAPAN PREFERS A PROJECT-BY-PROJECT APPROACH, EMPHASIZING IT WOULD NOT OPPOSE LOANS WHICH MEET BASIC HUMAN NEEDS. INDIA INDICATED STRONG COMMITMENT TO HUMAN RIGHTS BUT EXPRESSED CONCERN THAT US POLICY MIGHT DAMAGE THE IFIS INTEGRITY OR OPERATIONS. GOI WAS RELUCTANT TO TAKE AN ACTIVE ROLE BECAUSE ITS MOTIVES MIGHT BE SUSPECTED. AUSTRALIA WAS SKEPTICAL OF US POLICY IN IFIS OCAUSE IT WOULD INTERFERE WITH LENDING PROGRAMS AND DAMAGE IFIS. GOA OFFICIALS ALSO QUESTIONED US CRITERIA FOR JUDGING VIOLATORS AND WERE ALSO CONCERNED OVER US OPPOSITION TO LOANS FOR CERTAIN COMMODITIES AND COUNTRIES. ALL THREE COUNTRIES, HOWEVER, AGREED TO CONSULT WITH US THROUGH THE IFI EXECUTIVE DIRECTORS WHENEVER THE US DECIDED TO OPPOSE A LOAN ON HUMAN RIGHTS GROUNDS. THEY ASKED FOR MAXIMUM LEAD TIME FOR CONSULTATIONS.

4. JUNE 14-15 OECD MINISTERIAL (LIMITED OFFICIAL USE)
SECRETARIES VANCE AND BLUMENTHAL PLAN TO PARTICIPATE IN THE MINISTERIAL WHICH WILL HELP PREPARE THE MACRO-ECONOMIC ISSUES FOR THE FORTHCOMING BONN SUMMIT. THE MEETING WILL ALSO TAKE U NORTH-SOUTH ECONOMIC RELATIONS, ENERGY, TRADE AND PROTECTIONISM. THE MEETING, WHICH WILL BE CHAIRED BY JAPAN, WILL FOLLOW A NEW FORMAT IN ORDER TO AVOID LONG, FORMAL STATEMENTS AND TO ENCOURAGE INFORMAL DISCUSSIONS.

5. JAPANESE AID POLICIES (LIMITED OFFICIAL USE)
THE GOJ HAS INFORMED US OF THE GUIDELINES IT HAS ADOPTED FOR A GENERAL UNTYING OF NEW JAPANESE AID COMMITMENTS, EFFECTIVE MARCH 15. THESE APPLY TO CONCESSIONAL COMMODITY LOANS, WITH POSSIBLE EXEMPTIONS FOR COMMODITIES INVOLVING DEPRESSED JAPANESE INDUSTRIES, CO-FINANCING WITH IFI LOANS, A CATEGORY DESCRIBED AS TWO-STEP LOANS AND OTHER LOANS WHERE UNTYING IS WARRANTED AND RECIPIENT
CONFIDENTIAL

PAGE 05 STATE 112029

GOVERNMENTS PREFER IT. HOW MEANINGFUL THIS POLICY WILL BE IN PRACTICE REMAINS TO BE SEEN, BUT THIS IS THE FIRST INSTANCE IN WHICH A MAJOR DONOR COUNTRY HAS ADOPTED UNILATERALLY A GENERAL UNTYING POLICY. THERE WAS ALSO AN UNCONFIRMED REPORT LAST WEEK THAT THE GOJ IS CONSIDER-

ING MOVING UP THE TIMETABLE FROM FIVE YEARS TO THREE YEARS FOR DOUBLING ITS ECONOMIC AID.

6. MTN BILATERALS WITH PHILIPPINES AND MALAYSIA
(LIMITED OFFICIAL USE)

A. PHILIPPINES

IN BILATERAL TALKS ON MTN APRIL 26-27 GOP MADE A LIMITED OFFER AND TABLED REQUEST LISTS FOR IMPROVEMENTS IN US OFFER THAT WENT BEYOND TROPICAL PRODUCTS. US MTN TEAM FELT THAT GOP WAS NOT YET COMMITTED TO SEEKING BILATERAL MTN AGREEMENT, BUT WAS TAKING TENTATIVE STEP IN THAT DIRECTION IN SEARCH OF BEST APPROACH TO GAIN PARTICULAR US TARIFF REDUCTIONS IT DESIRES. SECOND NEGOTIATING SESSION IS SCHEDULED FOR GENEVA MAY 16-17.

B. MALAYSIA

IN APRIL 24 MTN DISCUSSIONS GOM ALSO EXPRESSED WILLINGNESS TO MAKE CONTRIBUTIONS AND SUGGESTED POSSIBLE PRODUCTS, LEAVING EXACT CONCESSION TO BE SPECIFIED LATER. GOM, HOWEVER, IS UNWILLING TO BIND CONCESSIONS. US MTN TEAM FELT GOM POSITION WAS NEGOTIABLE IN SOME RESPECTS. SECOND ROUND WILL OCCUR IN GENEVA IN MID-MAY.

7. IMPROVED PROSPECTS FOR GRAIN AGREEMENTS NEGOTIATIONS
(CONFIDENTIAL)

AN INTERIM COMMITTEE ON UNCTAD GRAIN NEGOTIATIONS IS MEETING THIS WEEK TO EXPLORE RESUMPTION OF NEGOTIATING CONFERENCE ON A NEW INTERNATIONAL WHEAT AGREEMENT (IWA) AND POSSIBLE COARSE GRAINS AGREEMENT LATER THIS YEAR.
CONFIDENTIAL

PAGE 06 STATE 112029

A NEGOTIATING CONFERENCE EARLIER THIS YEAR ENDED WITHOUT REACHING AGREEMENT, IN PART BECAUSE EC HAD INSISTED ON A COARSE GRAIN AGREEMENT PARALLEL TO A WHEAT AGREEMENT. ON THE BASIS OF AN UNDERSTANDING REACHED WITH THE EC IN SUBSEQUENT BILATERAL CONSULTATIONS, WE HAVE INDICATED THAT WE ARE PREPARED TO NEGOTIATE A COARSE GRAINS AGREEMENT IN SOME FORM AS PART OF AN OVERALL PACKAGE. WHILE THERE ARE A NUMBER OF SIGNIFICANT ISSUES YET TO RESOLVE, THIS NARROWING OF DIFFERENCES IMPROVES PROSPECTS FOR A NEW AGREEMENT. THE IWA INTERIM COMMITTEE WILL MEET IN LATE MAY AND MAY CONCLUDE THAT SUFFICIENT PROGRESS HAS BEEN MADE TO WARRANT RESUMING THE NEGOTIATING CONFERENCE.

8. RESTRICTIVE MEAT IMPORT LEGISLATION
(LIMITED OFFICIAL USE)

A BILL INTRODUCED BY SENATOR BENSON TO AMEND THE BEEF IMPORT ACT IS CAUSING CONSIDERABLE CONCERN IN AUSTRALIA

AND NEW ZEALAND. AS ORIGINALLY PROPOSED, THE BILL WAS MORE RESTRICTIVE THAN EXISTING MEAT IMPORT QUOTA LEGISLATION. THE ADMINISTRATION IS NOW REVIEWING A SUBSTANTIALLY MODIFIED VERSION OF THE BILL WHICH MAY ALSO BE TOO RESTRICTIVE; THE ADMINISTRATION HAS NOT YET ADOPTED A POSITION TOWARD THE BILL. OF SOME 24 BILLS INTRODUCED IN THE SESSION TO RESTRICT FURTHER MEAT IMPORTS, THE MODIFIED BILL APPEARS TO BE THE MOST SERIOUS THREAT. IT CLEARED THE SENATE FINANCE COMMITTEE ON APRIL 19 AND HAS NOW BEEN PASSED BY THE HOUSE, IN MODIFIED FORM, AS A RIDER TO AN UNRELATED PIECE OF HOUSE LEGISLATION. POSTS WILL RECEIVE SHORTLY A DESCRIPTION AND STATUS REPORT ON THE BILL. IN A SEPARATE DEVELOPMENT, THE MTN MEAT SUB-GROUP IS CONFIDENTIAL

PAGE 07 STATE 112029

MEETING THIS WEEK TO CONTINUE DISCUSSIONS OF AN INTERNATIONAL ARRANGEMENT ON MEAT TRADE. THE PRINCIPAL FOCUS WILL BE ON AN EC PROPOSAL WHICH INCLUDES AN OFFER TO REDUCE ITS LEVY ON MEAT IMPORTS. THIS PROPOSAL, HOWEVER, APPEARS TO HAVE LITTLE CHANCE OF ATTRACTING SUPPORT.

9. COPPER (LIMITED OFFICIAL USE)

THE FIRST SESSION (APRIL 17-21) OF THE UNCTAD WORKING GROUP TO PREPARE A CHARTER FOR A STANDING INTER-GOVERNMENTAL COPPER BODY (SICB), A PRODUCER-CONSUMER FORUM ON COPPER, MADE LITTLE PROGRESS. THE DISCUSSIONS BOGGED DOWN EARLY OVER A PERUVIAN PROPOSAL TO ESTABLISH THE BODY WITHIN UNCTAD. MOST CS, INCLUDING PRODUCERS, WANT A MORE INDEPENDENT BODY. INDONESIA PLAYED AN ACTIVE AND HELPFUL ROLE IN SEEKING COMPROMISES AMONG THE WIDELY DIVERGENT VIEWS OF PRODUCERS, BUT LITTLE UNANIMITY WAS ACHIEVED. THE US TABLED A DRAFT TEXT NEAR THE END OF THE SESSION, WHICH APPEARS TO HAVE SOME POTENTIAL FOR SERVING AS A BASIS FOR MORE FRUITFUL DISCUSSIONS AT THE NEXT SESSION SCHEDULED FOR MAY 22-26. EA COUNTRY PARTICIPATION INCLUDED AUSTRALIA AND JAPAN, BOTH OF WHICH FAVOR A MORE INDEPENDENT BODY, AND THE PHILIPPINES, WHICH WAS SILENT.

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